

IOI Corporation (IOI MK)

2QFY26: In-line Results; Production Rises QOQ

Highlights

- IOI posted 1HFY26 core earnings of RM808m (+13% yoy) which met expectations, constituting 55%/58% of our and consensus estimates.
- Sequentially, 1QFY26 core earnings grew 7% qoq mainly on higher upstream contribution as FFB production volume rose 12% qoq.
- Maintain HOLD on IOI with an unchanged target price of RM4.30.

2QFY26 Results

Year to 30 Jun (RMm)	2QFY26	Qoq % chg	yoy % chg	1HFY26	yoy % chg	Remarks
Revenue	3,010.1	(1.4)	1.5	6,061.9	7.5	
Operating Profit	509.6	15.8	12.2	949.7	19.8	
Plantation	426.1	21.5	1.5	776.7	7.8	Higher production and ASPs
Resource-based Manufacturing	66.7	(49.2)	93.9	197.9	174.9	Broad-based recovery across all downstream divisions
Net Profit	528.5	43.1	375.7	897.9	9.3	
Core Net Profit	416.7	6.5	5.7	807.9	12.7	Within expectations.
Margins (%)						
Operating profit						
Plantation	47.2	7.8	0.2	45.6	1.2	
Resource-based Manufacturing	2.3	(48.8)	92.3	3.4	2.1	
Core net profit	13.8	8.0	4.2	13.3	0.6	

Source: IOI Corporation, UOB Kay Hian

Analysis

- **2QFY26 within expectations.** After excluding non-operating items totalling RM111.8m which comprised largely of net forex translation gains, 2QFY26 core net profit came in at RM416.7m (+5.7% yoy, +6.5% qoq) while 1HFY26 core profit totalled RM807.9m, making up 55%/58% of our and consensus respective estimates. On a yoy basis, the plantation segment's EBIT rose 12% yoy given FFB growth of 14% yoy which made up for slightly softer ASPs. Sequentially, 2QFY26's stronger core earnings mainly arose from the plantation segment's improved earnings amid higher FFB output (+12% qoq), but this was partly offset by softer downstream EBIT contribution (-49% qoq) – particularly by its oleochemical sub-segment.

Key Financials

Year to 30 Jun (RMm)	2024	2025	2026F	2027F	2028F
Net turnover	9,604	11,335	11,146	11,349	11,459
EBITDA	1,537	1,837	1,914	1,997	2,067
Operating profit	1,140	1,432	1,482	1,549	1,608
Net profit (rep./act.)	1,088	1,521	1,472	1,692	1,827
Net profit (adj.)	1,088	1,320	1,472	1,692	1,827
EPS (sen)	17.3	21.0	21.6	23.1	24.1
PE (x)	21.5	18.8	18.3	17.1	16.4
P/B (x)	2.0	2.0	1.9	1.8	1.7
EV/EBITDA (x)	24.6	14.6	14.1	13.3	12.6
Dividend yield (%)	2.6	2.7	2.8	3.0	3.2
Net margin (%)	11.3	13.4	12.2	12.8	13.2
Net debt/(cash) to equity (%)	13	13.3	13.3	9.7	6.0
Interest cover (x)	13	17.1	18.4	19.7	23.2
ROE (%)	9.5	14.2	12.3	12.7	12.9
Consensus net profit	-	-	1,402	1,554	1,782
UOBKH/Consensus (x)	-	-	1.05	1.06	1.04

Source: IOI Corporation, Bloomberg, UOB Kay Hian

HOLD (Maintained)

Share Price	RM4.01
Target Price	RM4.30
Upside	7.2%

Analyst(s)

Lester Siew

lestersiew@uobkayhian.com

+603 2147 1990

Stock Data

GICS sector	Consumer Staples
Bloomberg ticker:	IOI MK
Shares issued (m):	6,285.2
Market cap (RMm):	25,180.5
Market cap (US\$m):	6,185.4
3-mth avg daily t'over (US\$m):	4.2

Price Performance (%)

52-week high/low				RM4.14/RM3.42
1mth	3mth	6mth	1yr	YTD
(1.0)	(1.7)	4.2	5.0	0.3

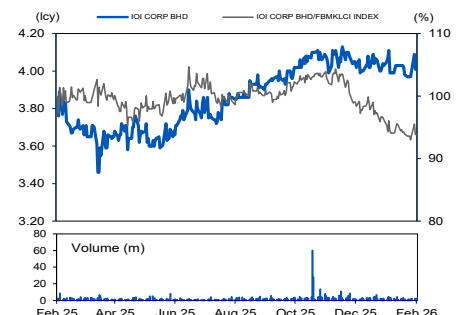
Major Shareholders

Lee Shin Cheng Family	49.8%
Employees Provident Fund	18.1%

Balance Sheet Metrics

	%
FY26 NAV/Share (RM)	1.96
FY26 Net Debt/Share (RM)	0.26

Price Chart



Source: Bloomberg

Company Description

Integrated palm oil player.

- Prospects.** On CPO pricing, management noted that spot prices have retreated to RM4,100/tonne after touching a ytd high of RM4,300/tonne, with prices expected to be supported by seasonally weaker industry output, firm demand over the festive period coupled with soybean oil prices which currently trade at a widened premium to CPO. Production-wise, IOI Corporation (IOI) expects its positive FFB production trend on a yoy basis to continue, aided by an increased proportion of young palms maturing or entering prime age in spite of the group's ongoing accelerated replanting activities in Sabah. For downstream however, the group expects sales margins to remain under pressure given elevated inventory levels as well as competition by its Indonesian counterparts.
- 2HFY26 outlook.** Moving into 2HFY26, we expect IOI's upstream division to continue performing well, bolstered by its plantation estates' good production momentum. Production growth is likely to remain strong yoy in 3QFY26, partly due to 3QFY25's low base as FFB output was poor during Jan-Feb 25. However, we believe 3QFY26's results may be affected by a reduction in Malaysia's CPO export duty from 10.0% to 9.5% in Jan 26 and 9.0% for both Feb 26 and Mar 26, which is likely affect its downstream segment's refining margins given the reduced feedstock price competitiveness vs Indonesia's refiners.

Valuation/Recommendation

- Maintain HOLD with an unchanged target price of RM4.30.** Our SOTP valuation parameters remain unchanged, which include our fair value estimate of S\$1.45/share for its Bunitama associate, 17x FY26F PE for the plantation division, 15x FY26F PE for the resources-based manufacturing (downstream) division and 18x PE for the contribution from associate Lodars. Upside risks to our HOLD call include a sustained improvement in downstream segment profitability whereas downside risks include weaker-than-expected FFB output.

Earnings Revision/Risk

- FY26-27 estimates unchanged.** For FY26, we forecast a 12% yoy rise in core earnings based on our latest CPO price forecast of RM4,250/tonne and FFB growth of 6% for the year. For FY26, we also expect contribution from its downstream segment to recover back towards FY24's profitability levels.

Share Price Catalyst

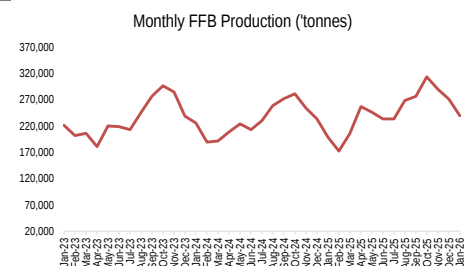
- Better-than-expected CPO prices.
- Higher-than-expected FFB production growth.
- Marked improvement in downstream contribution.

Operational Statistics

	2QFY26	4QFY25	2QFY25
FFB (tonne)	873,562	777,192	768,069
CPO production (tonne)	196,124	169,354	167,831
CPO Price (RM/tonne)	4,224	4,169	4,470
PK Price (RM/tonne)	3,449	3,529	3,461

Source: IOI Corporation

FFB Production Trend



Source: IOI Corporation

SOTP Valuation

	PE (x)	RM/share
Plantations	17	3.34
Manufacturing	15	0.27
Stake in Bunitama	-	0.42
(Fair value: S\$1.45/share)		
Contribution from Lodars	18	0.50
Less: Net Debt		(0.26)
IOI's fair value (round-off)		4.30

Source: UOB Kay Hian

Environmental, Social, Governance (ESG)

Environmental

- All Malaysian estates are MSPO-certified, while 96% of the estates are RSPO-certified.

Social

- Transparent communication and response to any ongoing cases involving the community. Implementation of programmes related to health, education, medical assistance, and other community enrichment acts.

Governance

- Transparent governance along with an Anti-Bribery and Anti-Corruption Policy.

Profit & Loss

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Net turnover	11,335	11,146	11,349	11,459
EBITDA	1,837	1,914	1,997	2,067
Deprec. & amort.	405	431	448	459
EBIT	1,432	1,482	1,549	1,608
Total other non-operating income	0	0	0	0
Associate contributions	351	373	406	424
Net interest income/(expense)	(107)	(104)	(101)	(89)
Pre-tax profit	1,878	1,858	2,123	2,307
Tax	(341)	(343)	(354)	(381)
Minorities	(16)	(14)	(15)	(15)
Net profit	1,521	1,472	1,692	1,827
Net profit (adj.)	1,320	1,472	1,692	1,827

Balance Sheet

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Fixed assets	9,532	9,814	10,083	10,328
Other LT assets	3,184	3,215	3,247	3,279
Cash/ST investment	1,452	1,336	1,291	1,788
Other current assets	125	125	125	125
Total assets	17,792	18,126	18,518	19,239
ST debt	709	709	709	709
Other current liabilities	260	260	260	260
LT debt	2,807	2,618	2,430	2,098
Other LT liabilities	1,206	1,056	906	906
Shareholders' equity	11,582	12,202	12,879	13,641
Minority interest	344	358	372	382
Total liabilities & equity	17,792	18,126	18,518	19,239

Cash Flow

Year to 30 Jun (RMm)	2025	2026F	2027F	2028F
Operating	944	1,366	1,702	1,800
Pre-tax profit	1,878	1,858	2,123	2,307
Tax	(341)	(343)	(354)	(381)
Deprec. & amort.	405	431	448	459
Working capital changes	(275)	(270)	(41)	(22)
Other operating cashflows	(722)	(165)	(167)	(162)
Investing	-537	-536	-536	-536
Capex (maintenance)	(700)	(900)	(700)	(700)
Investments	0	0	0	0
Proceeds from sale of assets	2	3	3	3
Others	162	162	162	162
Financing	(864)	(909)	(956)	(988)
Dividend payments	(660)	(706)	(753)	(785)
Issue of shares	0	0	0	0
Proceeds from borrowings	3	4	4	4
Loan repayment	(193)	(193)	(193)	(193)
Others/interest paid	(14)	(14)	(14)	(14)
Net cash inflow (outflow)	(456)	(278)	211	277
Beginning cash & cash equivalent	2,182	1,578	1,300	1,511
Changes due to forex impact	0	0	0	0
Ending cash & cash equivalent	1,725	1,300	1,511	1,788

Key Metrics

Year to 30 Jun (%)	2025	2026F	2027F	2028F
Profitability				
EBITDA margin	17.3	16.3	16.5	16.5
Pre-tax margin	16.1	15.6	16.3	16.3
Net margin	12.1	11.7	12.3	12.3
ROA	7.6	7.6	8.2	8.2
ROE	12.6	12.4	13.1	13.1
Growth				
Turnover	12.2	4.4	4.3	4.3
EBITDA	21.1	-1.6	5.4	5.4
Pre-tax profit	24.2	-4.2	9.3	6.0
Net profit	17.8	-4.8	8.3	6.4
Net profit (adj.)	17.8	5.0	8.3	6.4
EPS	17.8	5.0	8.3	6.4
Leverage				
Debt to total capital	29.5	26.5	23.7	23.7
Debt to equity	30.3	27.3	24.4	24.4
Net debt/(cash) to equity	17.8	16.3	14.3	14.3
Interest cover (x)	12.2	12.9	14.8	14.8

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